

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE BARNESBURG WATER)
ASSOCIATION, INC., OF PULASKI COUNTY,)
KENTUCKY, FOR (1) A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY AUTHORIZING AND)
PERMITTING SAID WATER DISTRICT TO CONSTRUCT)
ADDITIONAL WATER LINES, STORAGE TANKS, PUMP)
STATIONS AND RELATED FACILITIES TO SERVE NEW)
AND ADDITIONAL CUSTOMERS, AND (2) FOR AP-)
PROVAL OF THE WATER RATES PROPOSED TO BE)
CHARGED BY THE ASSOCIATION TO CUSTOMERS OF)
THE ASSOCIATION, AND (3) APPROVAL OF THE)
PROPOSED PLAN OF FINANCING THE PROPOSED)
ADDITIONS TO SAID WATER SYSTEM)

CASE NO.
8745

INTERIM ORDER

The Barnesburg Water Association ("Barnesburg") filed an application on December 15, 1982, for approval of adjustments to its water service rates, authorization to construct an \$887,500 waterworks improvements project and approval of its financing for this project. Barnesburg's financing includes \$57,500 from applicants for service in the project area, Housing and Urban Development ("HUD") grants totaling \$450,000 and Farmers Home Administration ("FmHA") loans totaling \$380,000 as follows: \$250,000 at 5 percent annual interest and \$130,000 at 7 3/8 percent annual interest. Barnesburg will give notes and mortgages as security for these loans. The repayment period will be 40 years.

The proposed improvements should extend service to approximately 267 customers.

Plans and specifications for the proposed improvements as prepared by Kenvirons, Inc., of Frankfort, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

A hearing on Barnesburg's proposed construction and financing was held in Frankfort, Kentucky, on January 26, 1983. There were no intervenors and no protests were entered. This Interim Order will address the matters presented at that hearing.

A hearing on Barnesburg's proposed rates will be scheduled for a future date. An Order to be entered subsequent to that hearing will address Barnesburg's rate adjustment proposals.

The Public Service Commission, after consideration of the application and evidence of record and being advised, is of the opinion and finds that:

1. The water service needs in the Acorn area do not require the storage of 100,000 gallons of water. Public convenience and necessity do not, therefore, require the construction of a storage tank of this capacity as proposed by Barnesburg. Barnesburg should request approval of the construction of a tank in the Acorn area of 50,000 gallons or less based on proper hydraulic substantiation by the Engineer.

2. With the substitution of a more appropriately sized water storage tank at the Acorn site, public convenience and necessity do require that the construction proposed in the application and record be performed and that a certificate of public convenience and necessity be granted.

3. Certain improvements that were not proposed by Barnesburg should be included in the scope of this project. Barnesburg's existing booster pumping station should be modified to insure that an adequate supply of water will be provided to all customers who will be served by Barnesburg after completion of the construction approved herein.

4. The approved construction includes about 29.6 miles of water mains and miscellaneous appurtenances thereto. Pipe diameter, length and material are as follows: 3,580 feet of 6-inch ductile iron, 54,100 feet of 6-inch PVC, 46,180 feet of 4-inch PVC and 52,260 feet of 3-inch PVC. The low bid for this work is \$670,668. After allowances are made for fees, contingencies and other indirect costs, Barnesburg will need to commit about \$832,500 of its \$889,500 in project funds to this construction. The uncommitted balance of about \$55,000 will be needed to pay for a smaller storage tank at the Acorn tank site and to make modifications to the existing pumping station.

5. Any deviations from the approved construction which could adversely affect service to any customer should be subject to prior approval of this Commission.

6. The proposed borrowing of \$380,000 is for lawful objects within the corporate purposes of Barnesburg, is necessary and appropriate for and consistent with the proper performance of services to the public by Barnesburg, will not impair its ability to perform these services and is reasonably necessary and appropriate for such purposes.

7. The financing secured by Barnesburg for this project will be needed to pay for the work herein approved and recommended. Barnesburg's \$887,500 financing plan should, therefore, be approved.

8. Barnesburg should furnish duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

9. Barnesburg's contract with its Engineer should require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision and inspection should insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

10. Barnesburg should require the Engineer to furnish a copy of the record plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

11. Barnesburg's construction project will not extend water service to all the applicants it had hoped to serve. A refund of deposit with a letter of explanation should be sent to each applicant who will not receive the service anticipated. A report listing the name and address of each refund recipient, the amount

of the refund and the date it was made should be submitted within 60 days of the date of this Order.

12. A 5/8" x 3/4" meter should be the standard customer service meter and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter. Further, any customer with a larger meter, with the exception of special contract customers, should pay for the service in accordance with Barnesburg's approved meter size rate schedules.

13. Barnesburg should file with the Commission a copy of all contractual agreements for the provision of services or the purchase of services which are subject to the approval of this Commission.

14. Barnesburg has not complied with Commission regulations regarding the filing requirements which are necessary in reviewing a request for a rate increase. The burden of proof as to the necessity of an increase in rates is on Barnesburg. At the present time no documentation as to the necessity of a rate increase has been filed by Barnesburg. Moreover, the minimum amount of information required by Commission regulations which was requested on January 13, 1983, has not been filed. Unless Barnesburg provides this information by March 11, 1983, the matter of an adjustment of rates cannot be considered by this Commission and the request may be dismissed.

IT IS THEREFORE ORDERED that Barnesburg be and it hereby is granted a certificate of public convenience and necessity to proceed with the waterworks improvements project set forth in the

plans and specifications of record herein on the condition that Barnesburg request approval of a tank in the Acorn area of 50,000 gallons or less based on proper hydraulic substantiation by the Engineer.

IT IS FURTHER ORDERED that Barnesburg shall modify its existing booster pumping stations in accordance with finding number 3 herein.

IT IS FURTHER ORDERED that Barnesburg shall obtain the approval of this Commission before proceeding with the work needed at its booster pumping station or the construction of a smaller tank at the Acorn tank site.

IT IS FURTHER ORDERED that any deviations from the approved construction that could adversely affect service to any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that Barnesburg's plan for financing its construction work in the amount of \$887,500, including 40-year loans of \$250,000 at 5 percent interest and \$130,000 at 7 3/8 percent interest from the FmHA be and it hereby is approved.

IT IS FURTHER ORDERED that Barnesburg shall file with the Commission duly verified documentation which shows the total costs of construction herein certificated including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the contract between Barnesburg and its Engineer shall require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision and inspection shall insure that the construction

work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

IT IS FURTHER ORDERED that Barnesburg shall require the Engineer to furnish to the Commission a copy of the record drawings and a signed statement that the construction has been satisfactorily completed and done in accordance with the contract plans and specifications within 60 days of the date of substantial completion of the proposed construction.

IT IS FURTHER ORDERED that a refund of deposit with a letter of explanation shall be sent to each applicant in the project area who has made a deposit for service and will not receive the service anticipated. Further, a report listing the name and address of each refund recipient, the amount of the refund and the date it was made shall be submitted by Barnesburg within 60 days of the date of this Order.

IT IS FURTHER ORDERED that a 5/8" x 3/4" meter shall be the standard customer service meter and shall be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter. Further, any customer with a larger meter, with the exception of special contract customers, shall pay for that service in accordance with Barnesburg's approved meter size rate schedules.


IT IS FURTHER ORDERED that Barnesburg shall file with the Commission a copy of all contractual agreements for the provision of services or for the purchase of services which are subject to the approval of this Commission.

IT IS FURTHER ORDERED that Barnesburg shall file the necessary information as required by Commission regulations concerning requests to increase rates by March 11, 1983.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 24th day of February, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary